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Brazil and the Southern Cone (U)

A Research Paper

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A Research Paper

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Brazil and the Southern Cone (U)**Overview**

Brazil is achieving significant results in its efforts to expand political, economic, and other ties with Southern Cone countries (Argentina, Bolivia, Chile, Paraguay, and Uruguay). The intensification of this policy under the Figueiredo administration does not aim at forming a Southern Cone bloc for unified actions vis-a-vis the United States, or at consolidating a regional sphere of influence. Rather, it is a key component of Brazil's drive to expand its international relations in order to increase its autonomy as an emerging world power.

Because of troublesome worldwide and domestic economic trends, Brazil realizes that it must systematically exploit opportunities for expanded trade, alternative energy sources, and other areas of cooperation with its closest neighbors. Moreover, Brazilian policymakers apparently are convinced that conditions are propitious for a new era of mutually advantageous relations. They recognize, however, that Brazil's emergence over the past two decades as Latin America's leading power has created new strains with its neighbors and stimulated suspicions regarding possible Brazilian hegemonic ambitions. The Figueiredo government has assiduously striven to counter this through stepped-up cultivation, essentially along bilateral lines, of the Southern Cone countries, as well as the rest of South America.

Brasilia's new policies are dramatically lessening tension and mistrust and are promoting a climate conducive to closer collaboration. Ultimately, a solid basis could be established for regional integration. Nevertheless, continued progress depends on the systematic implementation of numerous existing accords in the areas of trade, services, technology, nuclear energy, and military cooperation. Among these, the most important are with longtime rival Argentina.

Despite its growing international influence, Brazil consciously avoids playing a politically active role on the world scene, fearing possible adverse effects on the pursuit of its economic interests. It has been equally concerned not to adopt a political leadership role as it intensifies its relations with its South American neighbors. It probably will adhere to this policy at least through the 1980s, given the priority it attaches to export promotion and other efforts to tighten economic ties with these countries.

US interests will be affected by Brazil's cultivation of the Southern Cone countries, with the net effect for the United States likely to be positive. Basically, the expansion of regional trade and economic cooperation, plus the example set for its neighbors by Brazil's generally successful development program and its political liberalization, should favor US interests in the region.

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Brazil and the Southern Cone (U)

Foundations

Brazilian Foreign Policy

Over the past three decades, Brazilian foreign policy has evolved into an instrument for the promotion of national development objectives, particularly the pursuit of economic growth and power. This evolution has been characterized by steady movement away from the historically close relationship with the United States toward a vigorous exercise of freedom of action on the international scene. The current emphasis in foreign policy is on the pragmatic diversification and strengthening of Brazil's international relations aimed at fulfilling the country's aspirations to major power status. (S-NP)

Earlier close collaboration with and economic dependence on the United States tended to overshadow the persistent and widely held view among Brazilians that their nation, because of its enormous potential in human and material resources, was destined to become a world power. Moreover, there always were those who challenged the basic tenets of the traditional foreign policy, arguing that the inescapable consequence of close identification with the United States was to relegate Brazil permanently to the second rank. Nevertheless, they remained in the minority until the 1950s, when a mushrooming nationalist movement produced intense debate over development strategies regarded as necessary for achieving Brazilian greatness. (S-NP)

In 1961 President Janio Quadros enunciated a foreign policy designed to lessen Brazil's dependence on the United States, impose stricter controls on foreign investment, promote trade and other ties with the Third World, Latin America, and the socialist bloc, and strengthen Brazil's image as a "new force" on the world scene. Quadros' successor, Joao Goulart, espoused the same policy, albeit with greater stridency in criticizing the United States; yet the few concrete accomplishments of this policy were insufficient to compensate for losses suffered in developed-country markets. (S-NP)

The military government that replaced Goulart in 1964 quickly returned to a more traditional foreign policy line, believing that an internationally significant role for Brazil depended basically on economic growth. Initially it gave priority to economic recovery and promoted close political as well as economic collaboration with the United States. At the same time, not all initiatives of the Quadros-Goulart period (such as expanded diplomatic and trade ties with Third World countries) were abandoned. (S-NP)

By the late 1960s the generally successful stabilization effort had established the basis for an integrated national development program aimed at rapid and sustained economic growth. The result came to be known as the Brazilian "miracle," namely, a period of high annual growth rates (averaging over 11 percent), a doubling of GDP by the mid-1970s, large-scale expansion and diversification of foreign trade, and modernization of the nation's economy. (S-NP)

Brazilian foreign policy was shaped by these changes. Rapid economic progress and domestic political stability cleared the way for the pursuit of an increasingly independent international role. Brazilian leaders believed that for national development to become self-sustaining, their diplomacy must promote continuous expansion of foreign markets for Brazilian exports, along with assured access to essential foreign supplies and credit on favorable terms. Finally, there was recognition of the growing incongruity between the country's determination to increase its international autonomy, with the ultimate goal of achieving major power status, and the deferential implications of continued close relations with the United States. (S-NP)

These perceptions led to vigorous efforts to diversify international ties during the 1970s. Furtherance of the national development program was the overriding

objective, with the attainment of political influence expected to ensue from economic success. Although professing a continuing commitment to the Western world and opposition to Marxist developmental formulas, policymakers were determined to eschew ideological positions. Automatic support no longer was extended to US positions; instead there was a growing sense of urgency to modify Brazil's relationship with the United States, especially in the economic sphere, as differences intensified between the two countries during the decade. ~~(S-NF)~~

Success in diversifying foreign markets reduced the US share of total Brazilian trade, although the United States remained the single largest trading partner. Moreover, Brazil, facing continuing balance-of-payments problems, aggressively pushed exports to the United States but encountered growing American protectionist sentiment and criticism of its various export promotion devices. Disagreement between Brasilia and Washington on political and security matters—especially nuclear proliferation, human rights, jurisdiction over territorial waters, and military cooperation—further contributed to a marked deterioration in relations between the two countries by the late 1970s. Although the climate had improved significantly by the beginning of this decade, it was clear that Brazil would no longer accept a tutelary relationship. ~~(S-NF)~~

The dramatic oil price rises and ensuing world recession posed serious challenges to Brazilian policymakers. Nevertheless, they showed considerable adroitness in adjusting economic strategy in the light of Brazil's heavy dependence (80 percent) on imported oil. Although the days of the "miracle" clearly are past, the economy has continued to grow at a high rate (over 6.5 percent annually during the period, 1974-80) despite balance-of-payments deficits, higher inflation, and burgeoning foreign indebtedness. Flexibility in foreign policy, which was affected more directly by economic considerations than before 1974, was reflected in intensified efforts to promote exports to cope with payments needs. As it became increasingly competitive in a growing number of manufactured and nontraditional agricultural products, Brazil encountered greater protectionism in markets in developed countries, particularly the United States and

Western Europe. This contributed to a further effort by Brazil to diversify its foreign markets. By 1979 about 40 percent of Brazil's exports of manufactured products were going to **Third World** countries, especially in Latin America. EO25x1

These and other measures reflecting adaptability to the continuing energy crisis have sustained the confidence of Brazil's leaders in their flexible foreign policy. In their view, such a policy buttresses national development in the face of worldwide recession, intensified competition for capital and resources, and the energy crunch, since Brazil must systematically exploit available opportunities for expanded trade, alternative energy sources, and other areas of cooperation in order to sustain acceptable economic growth. The policy likewise is a vital component of the country's drive toward major power status. EO25x1

Historical Pattern of Relations

With the Southern Cone

Brazil had only limited interest in most of South America until well into the present century. Intense rivalry developed with Argentina as the two countries competed for regional influence, but culturally distinct Portuguese Brazil historically was mistrusted and, because of its size and early territorial encroachments, feared by the Hispanic countries. In turn, Brazil tended to look down on its smaller and politically unstable neighbors. At least until World War II, trade between Brazil and South America was slight, given the general lack of complementarity in export products (principally raw materials) and the limited absorptive capacities of internal markets. Diplomatic ties were essentially formal in nature and did not reflect close political or cultural affinities. Relations with countries outside the region, principally the United States and Western Europe, carried much greater weight. ~~(S-NF)~~

Despite its size and potential, Brazil—until the 1950s—was relatively undeveloped in comparison with Argentina. Brazil periodically sought to draw closer to its immediate neighbors, Uruguay, Paraguay, and Bolivia, but these countries generally were more susceptible to Argentine influence. The rivals

likewise vied for influence in Chile. Argentina tried to exploit latent distrust of Brazil and periodically endeavored to foster an anti-Brazil grouping with other South American countries. Argentina's turbulent political history since the 1950s, however, has had a seriously debilitating social and economic impact, reducing its capacity to compete with Brazil for regional leadership. By the 1970s Brazil had clearly outstripped its rival to become South America's pre-eminent power and the world's ninth-largest economy. (S-NP)

Brazil moved deliberately in the postwar period to upgrade its relations with the rest of South America, paying particular attention to its Southern Cone neighbors. Embassy staffs were enlarged throughout the region, and in numerous public statements official spokesmen emphasized Brazil's desire to improve relations with South America. In part this push was a natural complement to Brazil's enhanced economic importance and a logical outgrowth of the increasing complexity of international relations in general. In addition, it was motivated by the realization that keeping relations with South America in good repair would prevent formation of regional blocs antagonistic to Brazil. Finally, for various interrelated reasons (such as growing Latin American dissatisfaction with US hemispheric policies and increasing concern with national security matters) Brazil wished to draw closer to Spanish America and to go on record as supporting Latin American interests vis-a-vis the outside world. (S-NP)

As Brazil's economy continued to grow, however, fears increased among its neighbors that the emerging "colossus" of South America would develop hegemonic aspirations, particularly in the Southern Cone. In reality, Brazil—certainly since the 1960s—has viewed regional power goals as too confining and instead sees itself playing a global role buttressed by its growing economic status. Thus, even as it upgraded its relations with South America, Brazil has assigned a much higher priority to its relations with the United States, Western Europe, and Japan because they offer trade prospects, capital flows, and technology transfers vital to Brazil's economic development. In the Organization of American States

(OAS) and related forums, by the 1970s Brazil was avoiding the limelight on most issues, and it had very modest expectations for the regional common market organizations, the Latin American Free Trade Association (LAFTA) and the Andean Pact. EO25x1

In addition, Brazil had toned down its vigorous advocacy in the North-South dialogue of LDC demands for fundamental international economic changes and took a back seat in many North-South forums. It concentrated instead on protecting its own interests—in many instances more akin to those of the developed countries—without damaging its status as a Third World country. Observing these and other shifts, the less prosperous South American countries concluded that Brazil had become a "have" nation and perhaps was more interested in exploiting than helping them. EO25x1

The emphasis on geopolitical and regional security factors in national development planning in recent decades has led Brazil's policymakers to focus much more than in the past on the internal affairs of its neighbors. Given its continental dimensions, Brazil borders on all but two South American countries; nevertheless, because of sparse settlement of its vast interior there was little cross-border contact (except in the far south). With rapid economic growth, however, it became a priority national objective—particularly in the 1960s—to promote rapid development of the frontier and interior regions and to integrate them more closely with the more populous sections of the country. Large numbers of Brazilians not only settled near the country's borders, but spilled over into parts of Uruguay, Argentina, Paraguay, and Bolivia, creating thriving Brazilian enclaves and, in places, virtually eliminating the frontiers separating formerly distinct cultures. (S-NP)

A corollary objective of the post-1964 military governments was the protection of national security against perceived threats by subversive forces, whether from outside or within the country. Thus, Brazil broke relations with Cuba, vigorously supported US intervention in the Dominican Republic, and promot-

ed (unsuccessfully) an inter-American peace force to counter future Communist threats to Latin American states. At home the government moved energetically to overcome a wave of radical terrorism. At the same time Brazil's leaders became acutely concerned over politically unstable conditions in neighboring countries, which in some cases also faced major terrorist threats. Consequently Brazil deliberately sought to erect a security perimeter along its southern flank, utilizing an expanded diplomatic presence, high-level government contacts, cultural relations, economic penetration, trade, and other ties with Bolivia, Paraguay, and Uruguay. (S-NP)

Although relations with Argentina fluctuated a good deal as civilian and military regimes alternated in power there, by the late 1960s the two governments had embraced the concept of ideological defense against radical and Communist subversion. Brazil's military intelligence services collaborated continuously with corresponding organizations in the Southern Cone states, in part to ensure that dissidents and terrorists would be prevented from operating across frontiers. (S-NP)

The picture emerging by the end of the 1960s from Brazil's expanded relations with its closest neighbors was that Brazil mainly was interested in ensuring that political instability and social and economic unrest elsewhere would not reach crisis proportions—with possible unsettling effects on Brazil. Thus, peace and stability along its borders essentially were viewed as benefiting its continued economic growth and enhanced international role. Consequently, Brazil's actions aggravated suspicions in neighboring countries regarding its continuing aloofness and lack of true concern for their basic developmental needs, and also heightened their fears over its purported hegemonic tendencies. (S-NP)

The Tense 1970s

Relations between Brazil and several of its South American neighbors were characterized during much of the 1970s by tension, occasionally of major scope. As a result, Spanish American suspicions of Brazil reached a peak of intensity. This was in part because Brazilian policy seemed uncertain of its objectives,

particularly toward the Southern Cone, and tended to give conflicting signals on the sincerity of Brazil's desire for close ties. Only by the end of the decade did this policy acquire a clearer focus, impelled largely by the worldwide energy crunch and Brazil's growing awareness of the region's economic importance. (S-NP)

Among their many suspicions, Brazil's neighbors feared that it might act as Washington's surrogate in South America. Thus, Brazil's position was hardly enhanced when during a December 1971 visit to Washington President Medici was greeted with a US presidential toast that "as Brazil goes, so will go the rest" of Latin America. This prompted considerable adverse commentary throughout the region. (S-NP)

To counter the negative effects of such incidents and to overcome South American suspicions, Brazil took steps to identify more closely with the aspirations of its neighbors. These included a goodwill and trade promotion tour of South America by the Foreign Minister and initiation of a foreign technical assistance, services, and investment program involving several Latin American (and African and Middle Eastern) countries. Contrary signals, however, continued to undercut the effectiveness of these efforts. For example, a few months after Brazil and the United States signed a memorandum of understanding in February 1976 highlighting Brazil's "new role in world affairs," the US Treasury Secretary reiterated publicly the "as Brazil goes . . ." theme. (S-NP)

Brazil's policy toward the Southern Cone also seemed inconsistent because of its persistent concern over political instability in the area and the repeated instances when its relationships with neighboring countries seemed to be influenced largely by fears of subversion from beyond its borders. The election of Allende in Chile in 1970 and the eventual radicalization of the political process in that country raised concerns within the Brazilian Government (and particularly its hardline military component) about the spread of subversion to Brazil. As a result, covert support reportedly was extended to anti-Allende elements before his ouster in September 1973. (S-NP)

Similar concerns regarding the leftist Juan Torres government in Bolivia were partly responsible for reported Brazilian aid to the coup plotters who removed Torres in 1971 and replaced him with the more conservative Army Gen. Hugo Banzer. Worried that the presidential election in Uruguay in 1971 would produce a leftist victory, thereby facilitating Tupamaro urban guerrilla activities and possible infiltration of subversives into Brazil, the Brazilian Government sought to influence the election outcome. Its actions included support for "antisubversive" operations in Uruguay and the scheduling of special military maneuvers along the Brazilian-Uruguayan border at election time. (S-NF)

These and other instances fueled the impression that presumed security threats to Brazil originating from neighboring countries governed Brazil's foreign policy responses to South America. Moreover, at times during the 1970s military and intelligence hardliners seemed eager to see Brazil reverse its longstanding position and join a formal Southern Cone mutual-security alignment. In the hardliners' view, the emergence (by the mid- and late 1970s) of compatible military regimes throughout the Southern Cone, sharing common perceptions of national security problems, called for formation of such a pact. Moreover, they argued that international detente, deteriorating relationships between Southern Cone countries and the United States, and the increasing international isolation of the Southern Cone reinforced the need for like-minded governments to formalize cooperation for mutual security. (S-NF)

On another plane, this regional security emphasis stimulated considerable public debate on the strategic importance to Brazil of the South Atlantic. Public references by military figures about Brazil's lengthy coastline and coastal population concentration, its newly promulgated claim to a 200-mile territorial sea, its sizable merchant fleet and plans for naval expansion, and its dependence on foreign trade (especially oil) fed rumors that Brazil would take the lead in creating a South Atlantic Treaty Organization composed of itself, Uruguay, Argentina, and South Africa. The Brazilian Government, however, went to great lengths to emphasize its lack of interest in such a

defense arrangement and particularly its determination to avoid associating with the politically unacceptable South African Government. (S-NF)

On balance, the relatively narrow focus of the hardliners' thinking on relations with the Southern Cone usually was at variance with that of the moderate majority in the military and their civilian technocratic allies, as well as with the orientation of public opinion in general. Moreover, by the end of the decade concern for the impact of worldwide recession and the energy crunch on Brazil's economic growth occupied center stage in overall foreign policy. Nevertheless, with respect to relations with the Southern Cone countries, this shift in emphasis seemed to occur more gradually, so that some confusion concerning Brazil's true intentions toward its immediate neighbors persisted. (S-NF)

Argentina. This general picture of tension, apparent vacillation, and confusion perhaps was best illustrated in the case of Argentina. Refusing to accept its diminished status in comparison with Brazil, Argentina struggled throughout the 1970s to reassert itself as a regional power but generally failed. Brazil, on the other hand, content with its expanding role, no longer was so concerned with matching every Argentine maneuver. The result was a steady deterioration in relations between the two countries. (S-NF)

The most serious dispute arose over hydroelectric power projects on the Parana River. Argentina was greatly provoked when Brazil and Paraguay concluded an agreement in May 1973 for joint construction and operation of the world's largest hydroelectric complex (12,600 megawatts) at Itaipu, about 15 miles upstream from the point where the borders of Argentina, Paraguay, and Brazil meet. From Argentina's perspective, the Itaipu agreement reflected Brazil's determination to undertake such projects without coordinating its plans, or even consulting with downstream states—specifically Argentina. Moreover, the construction of Itaipu was viewed by many Argentines as the ultimate step in the consolidation of Brazil's preeminence in the River Plate region and the demise of Argentine influence. (S-NF)

Buenos Aires reacted strongly to the Itaipu accord. Over a period of years and in numerous international settings, it repeatedly protested Brazil's "unilateral" and "selfish" violation of formal agreements. Argentina succeeded on several occasions in having its position endorsed in international meetings on energy and critical resource matters. Uncomfortable with the prolonged unfavorable public scrutiny and concerned by the growing bitterness of its relations with Argentina, by the end of the decade Brazil seemed more disposed to holding meaningful discussions with Argentina. (S-NF)

Adding to tension between the two countries were a host of other irritants during much of the 1970s, including incidents of trade discrimination, disagreements over fishing rights, competition for allies in the region, and antagonistic media campaigns. Brazil's growing influence not only in Paraguay, but also in Uruguay and Bolivia merely aggravated Argentine frustration. Moreover, after the Argentine military resumed power in 1976 and began meting out extremely harsh treatment to political dissidents, Brasilia showed its distaste by deliberately keeping its distance from the Buenos Aires government. Furthermore, when the Chilean-Argentine dispute over the Beagle Channel heated up in the late 1970s, Brazil clearly favored Chile, going so far as to conduct military maneuvers along the border with Argentina. The upshot of these developments was that relations between the two countries were quite tense. (S-NF)

Chile. Brazil's evolving ties with Chile also were marked by apparent contradictions and occasional tension. Brazil welcomed Allende's overthrow in September 1973 and greeted the successor military regime with offers of military and economic assistance. (S-NF)

But as criticism in Latin America and elsewhere intensified over the excesses of the Pinochet regime in eliminating domestic opposition and imposing authoritarian control, Brazil sought to put some distance between itself and the "pariah" Chilean Government. Nevertheless, the security services and senior military hierarchies of the two countries continued to maintain close contact and to collaborate on occasion. (S-NF)

Bolivia. Through its efforts in the 1970s to develop relations along a broad front with its immediate neighbors, Brazil achieved unprecedented economic, political, and military influence over Bolivia, Paraguay, and Uruguay. In thus rearranging the traditional regional balance of power Brazil appeared indifferent to the fact that building a security perimeter along its southern border aroused its neighbors' suspicions. Moreover, as its presence in Bolivia, Paraguay, and Uruguay expanded, Brazil seemed intent on promoting a privileged zone for economic penetration—expanded markets for its manufactured exports and secure supplies of energy, foodstuffs, and raw materials. Despite concerted efforts by Brazil to demonstrate that it had no aspirations to regional hegemony, the contrary impression persisted in the area. (S-NF)

Brazilian involvement in Bolivia grew steadily after the 1971 coup. This included economic and military assistance; exploratory accords providing for joint ventures to develop Bolivian natural resources; and an agreement to sell Bolivian natural gas to Brazil over a 20-year period, construct a pipeline to deliver the gas to Sao Paulo, and Brazilian assistance in creating an economic "development pole" in Bolivia's eastern lowlands. Although progress was slow in implementing these accords and while Brazilian-manufactured exports reached only modest levels, Brazil's perception of the potential for its economic relationship with Bolivia increased. (S-NF)

Some Bolivians opposed steady Brazilian migration across their northern and eastern frontiers, but this did not impede progressively closer economic integration with Brazil. Moreover, Brasilia continued to pay close but discreet attention to the perennial maneuvering of competing Bolivian military factions and the activities of leftist political groups. (S-NF)

Paraguay. The 1973 Itaipu agreement constituted a major step in Brazil's efforts to cultivate the Stroessner regime. These efforts effectively drew Paraguay into Brazil's economic and political orbit. Joint development plans envisaged a gradual rerouting of Paraguayan trade and communications away

from the River Plate region to the Brazilian southern coast. A Brazilian presidential visit to Asuncion in late 1975 solidified the economic and political association. Paraguay's clear preference for a close and even tutelary association with Brazil irritated Argentina and renewed suspicions elsewhere of Brazil's intent to become dominant throughout the Southern Cone. (S-NF)

Uruguay. In Uruguay Brazil sought to insure political stability and control by a government sympathetic to Brazilian interests. The military-dominated Uruguayan Government accepted Brazilian advice and aid in eradicating the Tupamoro guerrillas. Moreover, it leaned increasingly on Brazil in economic matters, copying much of its planning from Brazilian experience. (S-NF)

The two countries agreed on a number of cooperative projects, most notably an accord in May 1974 for joint agricultural, industrial, and electric power development of the Lake Mirim Basin in the coastal frontier region. Brazil compared this accord to the Itaipu agreement with Paraguay and that anticipated with Bolivia regarding natural gas. Moreover, by 1974 Brazil had become Uruguay's principal trading partner, and Brazilian private investment in Uruguay steadily increased. (S-NF)

Argentina viewed with growing alarm Brazil's increasing influence in Uruguay, a country with which Buenos Aires traditionally was linked by close political and economic ties and strong cultural affinities. It launched a series of diplomatic and economic initiatives to counteract Brazilian success, but these were largely unavailing. (S-NF)

Relations With Other South American Countries

Until recently Brazil demonstrated considerably less concern over its relations with countries elsewhere in South America. It initially seemed interested only in limited economic cooperation and in moderating fears of its presumed expansionist intentions. Nevertheless, several incidents of friction produced growing animosity toward Brazil. Largely in recognition of this adverse trend and of the potential for trade expansion and alternative supplies of oil, Brazil decided to cultivate closer relations with these countries. (S-NF)

Animosity toward Brazil was strongest on the part of the Peruvian leftist military regime headed by Gen. Velasco Alvarado, which ridiculed Brasilia's more conservative economic policies and its close association with the United States. Peru also charged that Brazil favored Lima's traditional enemy, Chile, and promoted an anti-Peruvian alignment of South American military regimes. Velasco was replaced by the more moderate Gen. Morales Bermudez in 1975, and in the following year a series of agreements provided for expanded trade. Thereafter, relations were more cordial. (S-NF) 8025x1

Brazilian relations with Venezuela and Colombia were not so cool as those with Peru under Velasco, but the popularly elected governments in these countries often criticized the closed Brazilian political system. They also feared the possible attraction the Brazilian political and economic model might have for factions within their own armed forces. (S-NF)

Contacts with Colombia were relatively limited until Brazil took the initiative in the mid-1970s by seeking agreements for modest trade expansion, Brazilian participation in Colombia's oil industry, and sizable purchases of Colombian coal. Implementation lagged, however, and Colombian-Brazilian ties essentially remained at a low level. (S-NF)

Venezuela's efforts to enhance its influence in the hemisphere led it to view Brazil as a rival and to explore with several South American countries the prospects for forming an anti-Brazilian bloc. Venezuela's decision to join the Andean Pact (1974) and to play a leading role in forming the Latin American Economic System was motivated at least in part by its interest in restraining Brazilian influence. Caracas also was suspicious of the growing settlement and military presence in Brazil's northern border areas. (S-NF)

Brazil denied any hegemonic aspirations and resented Venezuela's anti-Brazilian statements. Critical comments by President Carlos Andres Perez led to the indefinite postponement of a planned visit to Caracas by the Brazilian Foreign Minister in early 1977. This event seemed to have a sobering effect in both capitals; thereafter both made conscious efforts to improve the diplomatic climate and to develop mutually advantageous trade and other ventures. (S-NF)

These efforts led to the Amazon Pact, a mechanism for joint consultation and coordination in developing the Amazon Basin without any attempt to internationalize the region or to subordinate national development plans of member countries. Agreement on the pact was achieved in mid-1978 between Venezuela and Brazil, along with the six other countries bordering on the vast Amazon Basin. (S-NP)

Brazil portrayed the Amazon Pact as a showcase of regional cooperation but was well aware that Brazil was likely to be the major beneficiary, particularly in regard to hydroelectric projects, improved transportation and communications, and expanded trade and tourism. These benefits were in addition to the pact's value in lessening friction with neighbors and undercutting any lingering interest on the part of other South American countries in an anti-Brazil grouping. Finally, the pact was symptomatic of Brazil's greater awareness by the late 1970s that it needed to go beyond words to deeds to demonstrate the high priority it gave to South America. (S-NP)

Changes Under Figueiredo

Shift in Emphasis of Brazil's Relations With the Southern Cone

Brazil's determination to resolve differences with its Southern Cone neighbors and to give a much higher priority to relations with them is leading to a considerable expansion of political, economic, technological, nuclear, military, and other ties. Brazil's interest in promoting political stability and forestalling an upsurge of subversive influences within these countries remains an important, albeit secondary policy objective. Policymakers regard relations with these neighbors as increasingly important to Brazil's economic well-being and continuing drive toward major power status. (S-NP)

Brazil by the mid-1970s was seeking a sustained diversification of its export markets on a worldwide basis. This was undertaken partly in response to growing protectionism in Western Europe and the United States and partly in recognition of the limits to the absorptive capacities of developed country markets for its manufactured products. As a result, by

early 1979 some 40 percent of Brazil's manufactured exports were being channeled to Third World countries, with the largest share going to Latin America. During the period, 1976-79, Brazil's trade with the rest of Latin America grew at a higher rate than its overall world trade, and its trade with the Southern Cone countries grew at an even more rapid pace. (S-NP)

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Nevertheless, it remained for the Figueiredo administration to implement a coherent foreign policy toward South America in general, and the Southern Cone in particular. Brazil clearly sees these countries for the next decade or so as critically important outlets for its industrial exports, transfers of technology, and trade in services, as well as significant sources of needed imports of food, minerals, oil, and gas. (S-NP)

Under Figueiredo, Brazil took concrete steps to improve its image in South America. There has been a sustained effort to emphasize complementarity of interests with neighbors and lack of interest in an organized bloc over which Brazil would assume formal or informal leadership. (S-NP)

Policy Formulation

The progress of this policy reorientation indicates that Brazilian policymakers are intent on promoting an unprecedented level of close and mutually beneficial relations primarily with the Southern Cone countries and then with the rest of South America. From the beginning President Figueiredo has been centrally involved in formulating and carrying out the new overtures. (S-NP)

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Soon after assuming office, Figueiredo ordered a ministerial study of Brazil's position in the world economy with emphasis on alternative policy options in the light of increasing developed country protectionism against Brazil's manufactured exports. The ministerial group reportedly recommended expansion of economic and political ties with Latin America on a major scale, looking toward eventual economic integration of the region. This process would be facilitated—despite different levels of development—by the basic complementarity of Brazil's economy with those of its neighbors and by the absence of major tariff or other barriers. Thus, Brazil would be able to expand markets in a largely untapped regional setting, reducing its energy import bill and foreign debt service obligations, while developing alternative energy sources and lessening dependence on Middle East oil suppliers. (S-NF)

These studies and other measures helped generate a growing consensus in the government and among key special interests over the need to recast Brazil's relations with South America. The higher priority on expanding relations with the Southern Cone reflected the more favorable prospects for integration of the country's rich southern region with contiguous areas of neighboring countries. The new policy, widely publicized since early 1979, emphasizes that: Brazil opposes creation of special blocs directed against outside powers; it does not aspire to regional leadership and lacks hegemonic intentions; and it seeks only to promote close bilateral relations with its neighbors, contributing to healthy economic growth and looking toward eventual regional integration. (S-NF)

Influence of New Personalities

Another important aspect of this effort was the change represented by the personalities and operating styles of those who came into office with Figueiredo, starting with the new President himself. Figueiredo is

more outgoing and accessible than his somewhat reserved and dour predecessor. Having lived as a youth in Argentina, he apparently is genuinely fond of Argentines and believes that he relates well to them and other South Americans. He has proved to be an effective propagandist for the new Brazilian policy, coming across as a sincere advocate of closer relations and a vigorous champion of Brazilian business and its potential contribution to regional development. He also asserts that steady progress toward political liberalization in Brazil is a positive factor in South American political development, contributing to greater receptivity to Brazil's overtures by its neighbors. (S-NF)

Figueiredo's Foreign Minister, Ramiro Saraiva Guerreiro, also has had a decidedly positive effect on Brazil's efforts in the Southern Cone. Whereas his predecessor was domineering, abrasive, and seemingly uninterested in compromise, especially with Argentina, Saraiva Guerreiro is much more personable and vigorous in promoting the new Brazilian diplomatic offensive. He has reduced the Foreign Ministry's tendency to posture and otherwise display indifference to the sensibilities of Brazil's neighbors. Officials of other South American governments regard him much more favorably than they did his predecessor. (S-NF)

Several others in the Foreign Ministry have advocated stepped-up Brazilian cultivation of neighboring states through such mediums as the Amazon Pact. In addition, the new policy has the support of the military high command and of key ministers concerned with economic planning, trade, finance, energy, and nuclear matters, foremost among whom is Planning Minister Antonio Delfim Netto. (S-NF)

Figueiredo's commitment to the new policy was highlighted by his early announcement of an intent to visit all South American capitals and to receive as many chiefs of state from Latin America as possible. Diplomatic activity surged during the early months of his administration, with Brasilia making numerous overtures to other countries, including efforts to revive stalled negotiations, to establish dialogue at high government levels, and to arrange dates for presidential trips abroad and Latin American leaders' visits to Brazil. (S-NF)

Turnabout With Argentina

Despite the early flurry of activity, Brazilian policy-makers from the outset focused on upgrading relations with the Southern Cone. Above all, this required a formal understanding as quickly as possible with Argentina over the Itaipu hydroelectric project, which, after nearly a decade of often bitter controversy, had acquired great political significance—particularly for the Argentines. (S-NP)

Argentina was a crucial first step in the Brazilian diplomatic push toward South America for several reasons. For one, failure to resolve the Itaipu issue would undercut the plan to improve Brazil's image throughout Spanish America, where support for Argentina's position had evoked considerable sympathy. Ultranationalist groups in Argentina rallied hemispheric support by arguing persuasively that Brazil's stance on Itaipu reflected a determination to achieve its "manifest destiny" at the expense of others. The Brazilian leadership recognized the prevalence of extreme sensitivity in sectors of the Argentine Government, a feeling that the country faced threats to its territorial integrity from Chile in the Beagle Channel, outside powers in the South Atlantic and Antarctica, and Brazil to the northeast. There was some concern in high Brazilian circles that a frustrated Argentina might accelerate its nuclear power program—considerably superior to Brazil's—to achieve a nuclear explosive capability at an early date. Such a decision inevitably would provoke a countereffort by Brazil, diverting scarce resources and reversing a recent decision to deemphasize nuclear power development in favor of hydroelectric power. (S-NP)

More basically, Brazilian officials considered the traditional rivalry with Argentina outdated, despite its persistence in popular prejudices (particularly Argentine). Even with regard to security matters, such as the potential for a wider South American conflict flowing from the Beagle Channel dispute and the threatening implications of possible Argentine development of a nuclear explosive capability, Brazilian policymakers argued that Brazil's interests would be best served by improved ties with Argentina. In the Foreign Minister's view, moreover, friendly relations with Buenos Aires would enable Brazil to play a

constructive role in the Beagle Channel controversy. In addition, in such an atmosphere cooperation between Argentine and Brazilian nuclear scientists would be facilitated and would help to dissipate suspicions. (S-NP)

In the final analysis, Brazilian leaders realized that a turnaround in relations with Argentina was increasingly necessary because of growing trade and other economic contacts between the two countries. [EO25x1]

[EO25x1]

[EO25x1] Total bilateral trade during the first nine months of 1979 was up by 80 percent over the same period in 1978 and showed no signs of slackening. [EO25x1]

Consequently one of the Figueiredo administration's first moves was to signal a desire to settle the Itaipu dispute and thereby establish the groundwork for improved relations. During ensuing discussions, Brazil accepted Argentine positions on several technical points that had provoked prolonged debates in the past. In October 1979 the two countries signed an agreement providing for technical compatibility between the Itaipu complex (under construction) and a planned Paraguayan-Argentine project downstream. This event removed the major political obstacle to rapprochement, and it was followed by intense bilateral discussions in several areas culminating in a highly publicized state visit by Figueiredo to Buenos Aires in May 1980. (S-NP)

The two governments went to extraordinary lengths to promote the best possible public image for this first visit by a Brazilian president in over four decades. Heightened difficulties faced by each in its overall international relations further encouraged rapprochement. (S-NP)

Among the agreements reached during the visit were four providing for a 10-year cooperative program in the development and application of nuclear energy for peaceful purposes. They involved the transfer of technologies, joint research projects and scientific exchanges, Brazilian manufacture of heavy components

for Argentine nuclear plants, and the lease of Argentine uranium concentrate and sale of Argentine zirconium tubing for Brazilian uses. The documents stressed the right of the two countries to develop their own nuclear energy industries, but underlined their opposition to proliferation of nuclear weapons. The Presidents commented to the press that the agreements put to rest the "myth" of a nuclear arms race between Argentina and Brazil. At this time and even before the visit, however, officials of both countries carefully noted that each government preferred to hold open the option of peaceful nuclear explosions. (S-NF)

Other agreements established the framework for cooperation in economic and energy-related fields, the most prominent of which were: tax relief to facilitate joint ventures by private businesses; joint development of the River Plate basin's energy resources; construction of an international bridge over the Iguazu River; connection of electric power grids in certain border regions; improved coordination of border inspections and animal disease controls; and stepped-up technological and scientific collaboration. A separate understanding set up annual consultations of Foreign Ministers and periodic meetings of policy planning groups. (S-NF)

The joint declaration and public statements by the two Presidents repeatedly emphasized that their long-term goal was integration of the Brazilian and Argentine economies, although progress toward this end would be slow and difficult. They also underlined their interest in increased regional cooperation but denied any intention to develop blocs to promote common objectives. They announced that President Videla would pay a return visit to Brazil. (S-NF)

The Figueiredo visit created the necessary atmosphere for improved relations, but both sides recognized that much hard work remained to implement cooperation. Although most of the agreements were not greatly significant by themselves, as a group they had considerable political importance—that is, they demonstrated a willingness to cooperate in many areas. They also provided a solid grounding for continued growth of mutually advantageous relations in economic, trade, nuclear, and other fields. (S-NF)

The cautious optimism at the governmental level was paralleled by the very favorable attitude regarding cooperation shared by business interests in both countries. Several hundred leading Brazilian and Argentine businessmen and top-ranked economists met and discussed a variety of cooperative trade and other ventures. As a result, many initiatives were set in motion to expand bilateral commercial relations. (S-NF)

Videla Visits Brazil

While each government remained wary regarding the other's true intentions on nuclear matters, trade aggressiveness, and other issues, there was now a predisposition to attempt to build a lasting cooperative relationship. Five days after Figueiredo left, President Videla made known his desire to visit Brazil at an early date, catching both Foreign Ministries by surprise. This resulted in a state visit in August, barely three months after Figueiredo had gone to Buenos Aires. (S-NF)

Figueiredo insisted that all levels of his government give the visit priority attention, and he reportedly participated personally in laying out Videla's rather heavy schedule. To show his esteem for Videla, Figueiredo included the unusual step of traveling to Porto Alegre to meet Videla off rather than simply saying goodbye in Brasilia. (S-NF)

During the visit the two Presidents appeared often in public, held private meetings, and otherwise demonstrated that they shared common viewpoints and enjoyed a close personal relationship. Moreover, Oscar Camilion, the Argentine Ambassador to Brasilia who became Foreign Minister in the Viola administration inaugurated in March 1981, played a key role in planning the two visits and negotiating most of the agreements. Camilion emerged as a very effective spokesman for expanding ties between his country and Brazil, a cause to which Brazilian Foreign Minister Saraiva Guerreiro likewise contributed. (S-NF)

The Presidents, Foreign Ministers, and other spokesmen reaffirmed their commitment to improving bilateral ties, which in the economic realm aimed at complementarity of industrial and other sectors. They

also emphasized common positions on several international questions, including the need for developing countries to participate more equitably in the international economic order. (S-NF)

Videla sought in several statements to highlight shared political philosophies of opposition to "subversive terrorism" and support of Western civilization and values. He also noted his regime's willingness to restore democracy to Argentina "as soon as conditions for it are right" and alluded to the recent return to civilian government in Peru as a possible model. In his public remarks, Figueiredo emphasized the understandings to promote economic and energy-related cooperation. (S-NF)

A large number of agreements were signed, dealing with nuclear energy, tourism, maritime transportation, possible sales of Argentine natural gas to Brazil, social security coordination, and science and technology cooperation. Four contractual arrangements were reached between the Brazilian and Argentine nuclear agencies within the framework of a protocol on industrial cooperation signed during the May visit. (S-NF)

In large part the new understandings were based on agreements reached during the Figueiredo trip. The agreement to investigate the sale of gas to Brazil was viewed as potentially very important, since it would involve the annual sale of 3 billion cubic meters of natural gas and construction of a major pipeline, and it would contribute to the integration of the two countries' industrial sectors. Nevertheless, realization of this project will be difficult technically and quite expensive. (S-NF)

The nuclear cooperation agreements also were significant in that they accelerated the implementation of earlier arrangements and facilitated exchanges and technical cooperation. Nevertheless, the understandings did not involve exchanges of the most sensitive technologies and provided for only limited commercial transactions. Both countries still expected progress in nuclear cooperation to build confidence, making it less likely that a nuclear weapons race would develop between them. They also hoped nuclear cooperation would enable them to present a more united front to

supplier nations with respect to the transfer of needed technology and to forestall possible efforts to play off one against the other. (S-NF)

The leadership of the two countries believed that a very positive psychological climate had been created, which, together with the specific agreements reached and rapidly expanding trade and other economic ties, made it essential that presidential and other high-level contacts continue. Moreover, sustained efforts at different levels of the two bureaucracies and in the two business communities were necessary to implement agreements and to bring others under study to fruition. (S-NF)

Cautionary Notes

Important sectors in both countries did not share these optimistic projections. This was particularly true of Argentina, where ultranationalists periodically exploited the deep-rooted sense of rivalry to attack the evolving rapprochement. One telling criticism of the growing trade and other economic ties and of statements by Figueiredo boosting ever-greater complementarity was that these trends meant that Argentina, basically a primary goods exporter, would become dependent on Brazil. The latter, with a more powerful economy, was primarily interested in exporting manufactured products to Argentina, whose own industries would suffer. With prices for primary exports subject to sharp fluctuation and those for manufactured products rising, Argentina would face a progressively more unfavorable balance of trade. (S-NF)

In contrast, many Brazilians either tended to view the rivalry as outdated or seemed indifferent to Argentine pretensions. While informed circles in both countries generally recognized the significant turnaround and its benefits, they also realized that genuine and broad-based cooperation would take time—perhaps many years—and that there would be many ups and downs. (S-NF)

Argentine Interest in Political Pact

Argentina's efforts before and during the presidential visits to promote a formal political alignment disturbed Brasilia. In a press interview a few days before

Figueiredo's arrival, the Argentine Foreign Minister expressed alarm over the "terrible menace" of Communism in Latin America, against which Argentina and Brazil, sharing the same ideological orientation, needed to join forces. He also suggested that Argentina, Brazil, and South Africa assume responsibility for defense of the South Atlantic. (S-NP)

This interview immediately produced an adverse reaction in Brasilia, which reportedly influenced the Argentine Embassy to issue a "clarification" that the Foreign Minister was not suggesting creation of an ideological axis, nor was he proposing abandonment of Argentina's traditional policy of noninterference in the internal affairs of third countries. Brazilian officials considered that one of their major achievements during the Figueiredo visit was to cool Argentine ardor for a formal political alignment. (S-NP)

During his visit to Brazil, Videla again stressed the need for bilateral cooperation to combat "subversive terrorism." Figueiredo and other Brazilian officials avoided commenting publicly, instead emphasizing the progress made in economic, nuclear, and technical areas, and reiterating Brazil's opposition to blocs and its lack of hegemonic aspirations. Nevertheless, during the visit Videla apparently raised with Brazilian officials, probably including Figueiredo, the question of a formal accord.

EO25x1

Despite the unlikelihood of such a pact, there has been increased contact and collaboration between the military establishments of the two countries in the wake of the presidential trips in 1980. This has included exchanges of visits of service chiefs and of groups of officers, agreements on joint naval exercises, and discussions regarding arms sales and other forms of cooperation. Although even during earlier periods of tension the military in both countries maintained a dialogue and generally avoided posturing, there has been a definite improvement in the atmosphere and the level of contact in the past year. (S-NP)

Positive Side Effects

On another plane, the rapprochement since early 1979 has strengthened the position of each government in several contexts in addition to the general reduction of tensions and growth of cooperation. The Videla regime experienced some lessening of its sense of international isolation over its human rights record. Videla apparently gained confidence that Brazil would support Argentina more effectively in international forums whenever its human rights record came up for review. With regard to the Beagle Channel dispute, the Videla administration reportedly encouraged by its improved ties with Brazil to feel less encircled and thus better able to concentrate on the problem with Chile. (S-NP)

Although Videla and Figueiredo deliberately made no public statements regarding the Beagle Channel, the Garcia Meza regime in Bolivia, or the question of a successor to Stroessner in Paraguay, the Presidents

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obviously discussed these matters. Here again they probably made progress in reaching a consensus on Bolivia, Paraguay, and possibly Uruguay, and Figueiredo almost certainly sought to exert a moderating influence on Videla concerning the Beagle Channel dispute. (S-NP)

The Figueiredo administration, for its part, was able to get across several points on international issues, such as its desire to remain identified with LDC positions and its interest in closer ties with black African nations (and strong opposition to South Africa). Moreover, the key Brazilian political objective of improving its image in South America gained appreciably from the successful efforts to promote rapprochement and from the signals of support for hemispheric economic development and opposition to blocs. (S-NP)

There were corresponding positive effects at the domestic level as well. The Videla regime's image at home was strengthened by its handling of relations with Brazil. Resolution of the Itaipu issue was popularly perceived in Argentina as a vindication of its position. Similarly, the Figueiredo administration's image at home was enhanced by its statesmanlike effort to cultivate a better relationship with Argentina, its keen awareness of Argentine sensitivities, and its efficient and highly professional promotion of Brazil's basic objective—greater trade and other economic and energy-related ties with Argentina. Moreover, its efforts were seen at home as encouraging the Argentine military toward political liberalization patterned after Brazil. (S-NP)

Nuclear Cooperation Grows

Since the presidential visits, nuclear collaboration between Brazil and Argentina has become more active, with the initial modest agreements gradually expanding in scope. This approach apparently represented a compromise between Argentina's hope for Brazilian concurrence in a joint effort to promote a so-called South American nuclear bloc (toward which Brazil was very cool) and Brazil's desire to obtain major Argentine assistance for its fledgling nuclear program (which Argentina was determined to avoid). Reciprocal visits by nuclear personnel and a steady

expansion in exchanges of technical information have made communication between the respective nuclear communities and government agencies commonplace. With regard to the material aspects of the agreements, in April 1981 Argentina began shipment of concentrated uranium to Brazil, and the following month the contracts were completed for the sale by both sides of nuclear power plant components. (S-NP)

Both countries remain wary of the real intentions of the other side. They are particularly suspicious that efforts may already be under way—or may be started soon—to develop nuclear weapons. Thus, in the final analysis nuclear cooperation is tentative, relatively limited in scope, and faces several years of hard work and sustained governmental commitment. (S-NP)

Economic Ties Continue Strong

Brazil's central objectives have been well served by the unfolding of its relations with Argentina, ■ trade and other economic contacts have expanded at a very rapid pace. Brazil's exports to Argentina doubled in 1979 and jumped by another 50 percent in 1980, when Brazil achieved a trade surplus of \$350 million, the first such balance in its favor in five years. Total trade between the two countries was in excess of \$2 billion in 1980 and could top \$3 billion by 1983. Brazil supplied over 10 percent of Argentine imports in 1980, and Argentina accounted for nearly 6 percent of Brazil's nonoil imports in the same year (down from nearly 8 percent in 1979). (S-NP)

The series of agreements from the two presidential visits in 1980 stimulated closer economic ties across the board. Moreover, the consultative mechanism that was established facilitated quick resolution of an impasse in trade relations reached in January 1981. Confronted with a large trade deficit and the need to cover the high interest and amortization costs of its huge foreign debt, Brazil, throughout 1980, pushed its exports aggressively and restricted nonoil imports, precisely at a time when Argentina was opening up its economy. Argentina became increasingly disturbed over Brazilian export promotion devices and its efforts, including administrative delays, to curb imports.

In January 1981 the Argentine commercial authorities suddenly imposed an additional 20-percent duty on virtually all imports from Brazil. Shocked Brazilian authorities immediately initiated intensive negotiations to forestall a prolonged drop in trade. Agreement was reached on 6 March whereby both sides lowered import barriers. (S-NF)

Both countries showed determination to keep the issue from becoming the subject of political debate. There was no public commentary by the political leadership of either country. Resolution of the dispute also highlighted the growing predominance of economic considerations in relations between the two countries. (S-NF)

Another Presidential Meeting

When Gen. Roberto Eduardo Viola succeeded Videla on 31 March 1981, Figueiredo sought an early working meeting with the new Argentine chief executive—the third presidential meeting in a year—to ensure that relations continued on a high plane. Such a meeting would demonstrate that the heads of two important Latin American states could get together for a working visit—similar to the practice of French and West German leaders—and lay the basis for continuous, more informal dialogue. Thus, it was announced that Viola and Figueiredo would meet in an Argentine border town on 26 May. (S-NF)

Accompanied by a few key ministers and other aides, Figueiredo and Viola met for the daylong exchange of views. Although the meeting did not result in new accords, both Presidents apparently considered it helpful to continued good relations. Their lengthy joint declaration restated positions expressed during the 1980 exchange of visits. (S-NF)

Figueiredo emphasized publicly that the bilateral relationship was not designed to establish "hierarchies or privileged spokesmen for voicing the Latin American will." The Presidents categorized the South Atlantic as an area of "direct and immediate interest" to the coastal nations and urged that the area be kept "free of international tensions and confrontations." (S-NF)

Reflecting the impasse in trade relations earlier in the year, the two Presidents agreed to seek "an adequate quantitative and qualitative balance," to expedite tariff reciprocity, and to avoid recourse to "specific restrictions and unilateral measures" (namely, Brazilian subsidies on exports to Argentina). They agreed to establish a working group to facilitate trade balance and expansion into new sectors. Finally, Viola accepted Figueiredo's invitation to hold their next working meeting in Brazil. (S-NF)

Turnabout ■ Success?

A major turnabout has been effected in relations between Brazil and Argentina since early 1979. Once the process was started—largely on Figueiredo's initiative—the two countries moved toward agreement on a wide range of issues with surprising speed and generally without the acrimony that characterized their earlier relations. At the same time, bilateral trade and other economic contacts have surged forward. Thus, prospects are favorable for an extended period of cordial relations and steadily intensifying economic interaction, possibly leading to eventual integration of South America's two strongest economies. (S-NF)

On the other hand, both governments and important sectors in each country view their growing rapprochement as tentative, still requiring considerable hard work over a lengthy period. They realistically expect the relationship to experience sharp fluctuations from time to time. There also are strong tendencies toward mutual suspicion, with each side looking for signs of slippage in agreements in such sensitive areas as nuclear cooperation. Mutual trust and cooperation in this field will be long in coming. (S-NF)

Other areas where the parties are suspicious include military actions and geopolitical strategy, activities on political and economic fronts elsewhere in South America, and relations with Washington. On the other hand, both sides are attentive to signs that either is becoming less suspicious or critical. On balance, Argentina shows a greater proclivity to suspicion. (S-NF)

Renewed political instability in Argentina could adversely affect the developing close relationship. The growing interdependence of the two economies, however, makes it likely that almost any government coming to power in Buenos Aires could not revive the former intense rivalry with Brazil. Brazil seems less preoccupied with Argentine intentions now that major issues such as the conflict over Itaipu are out of the way, and Brazil can go about improving its image elsewhere in the region. (S-NF)

Relations With Other Southern Cone Countries

As part of its effort to promote better relations in the Southern Cone, the Figueiredo administration has organized high-level visits and negotiated numerous accords with Paraguay, Chile, Bolivia, and Uruguay in the past two years. Such overtures add to a perception throughout the region that Brazil is serious in its push toward the Southern Cone, they help to lessen suspicions regarding Brazil's intentions, and—probably most important—they strengthen prospects for a continuing increase in trade and access by Brazil to scarce resources. (S-NF)

While since early 1979 Brasilia has assigned the highest priority to Argentina, it has emphasized its concurrent interest in broadening and strengthening ties throughout the Southern Cone. It also has sought consistently to allay fears regarding a possible political alignment between Brazil and Argentina. (S-NF)

Paraguay. This Brazilian concern was evident in the Figueiredo administration's actions toward Paraguay, precisely when it was cultivating closer ties with Buenos Aires. Thus, barely a month before he was due in the Argentine capital, Figueiredo paid a state visit to Asuncion in April 1980—his first official trip to a Southern Cone country—ostensibly to discuss economic questions and to sign an agreement connecting the Paraguayan and Brazilian railway systems and giving Paraguay a direct rail outlet on the Atlantic. (S-NF)

Perhaps more importantly, the trip was intended to assure the Stroessner regime that Brazil's initiatives toward Argentina did not imply a diminution of interest in Paraguay. On the contrary, the major

cooperative effort in hydroelectric power development, increased bilateral trade, and integration of Paraguayan frontier regions into the Brazilian economy meant that the Figueiredo government would continue to view its ties with Asuncion as economically beneficial to Brazil. (S-NF)

Paraguay has become heavily dependent on Brazil, which has stimulated continuing high economic growth in Paraguay. While the agreement on the railway connection was very much desired by Paraguay, its implementation will serve to tie the latter's economy even closer to Brazil's. Brazil enjoys a hefty positive trade balance—with exports of \$324 million versus imports of \$71 million in 1979, plus a reported similar ratio in the large contraband trade—and it has displaced Argentina and the United States as Paraguay's leading supplier. Brazil's economic presence in Paraguay is massive, and after energy generation from Itaipu begins in 1983, its influence can only grow. (S-NF)

Chile. President Figueiredo attached considerable importance to reviving close relations with Chile. Relations had been relatively cool for some time, and he was prepared to make a personal effort to mend fences and thereby mitigate Chile's international isolation. At the same time, Figueiredo wanted to reassure Chile over Brazil's rapprochement with Argentina at a time when controversy had flared up over the Beagle Channel. (S-NF)

Once again, however, Brazil's motivation was in large part economic because Chile had become an increasingly important partner since 1975 despite cool official relations. Trade was strongly complementary, since Chile was an important source of essential raw materials and provided a ready market for Brazilian manufactured goods. Moreover, by 1980 Brazil had achieved a favorable trade balance. (S-NF)

An early indication of Chilean sensitivity—and of a corresponding Brazilian determination to be responsive—occurred when Chile began pressing for a visit by Figueiredo soon after his visit to Buenos Aires was announced. Anxious that Brazil appear neutral in the

Beagle Channel dispute, Chilean officials insisted—and Brasilia agreed—that the announcement of Figueiredo's Chilean trip should be made well before his Argentine visit. (S-NF)

Part of Brazil's motivation in seeking improved relations was its interest in promoting regional harmony and forestalling disputes between any of its neighbors. Thus, its developing relationship with Argentina along with closer ties with Peru made it doubly important that Brazil not appear to be abandoning Chile. (S-NF)

The trip on 8-11 October by Figueiredo was the first visit to Chile by a president of an important country since the military took power in Chile in 1973. As such, it served to lessen Chile's international isolation and to demonstrate that the Pinochet regime was acceptable to Latin America's leading power. Figueiredo courted his hosts by inviting Pinochet to visit Brazil, suggesting that other heads of state visit Santiago, intimating that human rights criticism of Chile was misplaced, and forcefully advocating nonintervention in internal affairs. (S-NF)

On the other hand, Figueiredo was quoted extensively in the Chilean media as he discussed glowingly the political opening in Brazil in obvious contrast to Chile's situation. Yet he was careful to emphasize Brazil's desire to improve ties with South American neighbors without regard to political coloration. (S-NF)

Judging by the size and high level of the Brazilian entourage, the effort they made to prepare economic agreements for the occasion, and the extensive round of economic and commercial talks, the chief importance of the visit for Brazil was economic. The presidential party included seven Cabinet members, about 200 businessmen (representing the bulk of Brazil's economic establishment), several state agency representatives and government aides, and a sizable media contingent. (S-NF)

The agreements signed by the Presidents, although modest in scope, covered a broad spectrum, including social security coordination, double taxation avoidance, tourism, maritime transportation, scientific cooperation, exploitation of national fisheries, forestry

development, measures to improve livestock health and sanitation, and consultation on peaceful utilization of nuclear energy. Figueiredo emphasized, however, that the principal results of his visit were the business arrangements worked and anticipated between the entrepreneurs that came with him and their Chilean counterparts. (S-NF)

Subsequent to the Figueiredo trip, the frequency of contacts between high government officials, the military, and the private sectors has accelerated, and relations have become much closer. Brazil's primary interests continue to be increased trade and other economic ties, but particularly a higher volume of its manufactured exports and of joint ventures. On occasion Brazilian authorities have protested strongly—even vituperatively—against perceived uncooperative behavior by Chilean authorities. For example, in early 1981 Brazilian officials objected vigorously when the contract to construct a large hydroelectric project in Chile was awarded to the lowest bidder, a French consortium, rather than to a Brazilian firm. Nevertheless, the Chileans resisted, much to the irritation of the Brazilians, reportedly including President Figueiredo. (S-NF)

For its part, the Chilean Government has continued to push Brazil to relax restrictions against Chilean exports, as agreed during the presidential visit. Brazil has been slow in responding, but growing economic ties have not been seriously affected. (S-NF)

Still wary of the developing relationship between Brazil and Argentina, Chile has sought to persuade Brasilia to influence Buenos Aires to adopt a more moderate stance on the Beagle Channel dispute. Brazil is sympathetic, but has not had much success so far. (S-NF)

On balance, relations between Brazil and Chile are on a sound footing and are likely to continue to improve. Nevertheless, Chile is suspicious of Brazil's efforts to strengthen ties throughout South America, fearing that Chile may become more isolated. Brazil, for its part, seems satisfied that its current relations with the Pinochet regime are sufficient to permit it to pursue its principal objective—increased exports and raw material imports. (S-NF)

Bolivia. The Figueiredo government has proceeded with caution in its relations with Bolivia, but it has become progressively more disturbed over the unstable situation prevailing since the military coup in July 1980. As competing Bolivian factions intensified their plotting in recent months, Brasilia consistently avoided becoming involved, apparently convinced that no particular group can govern effectively and that any other course would be counterproductive. Nevertheless, Brazil apparently views with equanimity Argentina's more active role in Bolivian affairs. The Brazilian and Argentine Presidents reportedly have discussed the Bolivian situation, possibly in order to coordinate efforts to foster stability there. (S-NP)

According to its officials, Brasilia basically is interested in a stable Bolivia so that it can pursue with greater assurance longer term trade and joint economic ventures. The most significant recent development in the economic field was a joint declaration in January 1981, which set in motion the engineering study and related technical steps leading to construction of the multibillion dollar gas export pipeline. The Brazilian side remains concerned, nevertheless, that this costly project will be sidetracked by continuing instability in Bolivia. (S-NP)

Apart from this project, there have been only a few business ventures and military sales—including a hefty contract for the sale of Brazilian helicopters—between the two countries in recent months. Notwithstanding the pending gas sale project, the Figueiredo government views as quite limited the prospects for substantial trade increases and other economic ties for the near term. (S-NP)

Uruguay. Since early 1980 the Figueiredo administration has engaged in sustained efforts to improve relations with Uruguay. These had become somewhat strained over activities of antigovernment Uruguayan exiles in Brazil and by a widening perception in Uruguayan official circles of Brazilian neglect and trade discrimination. Brasilia sought a better relationship in part to prevent Argentine and Uruguayan plans for a customs union or free trade zone from undercutting Brazil's position as Uruguay's principal trade partner. (S-NP)

In May 1980 Foreign Minister Saraiva Guerreiro extended an invitation to his Uruguayan counterpart, Folle Martinez, to visit Brazil to revive the "cooperative atmosphere." The trip was preceded by a steady stream of high-level official visits between the two military establishments, which produced discussion of sales of Brazilian military equipment and a generally much closer military relationship than in the past. (S-NP)

The visit by Folle Martinez to Brasilia was marked by a wide-ranging exchange of views on international, regional, and bilateral questions and the signature of several agreements in the areas of health, social welfare, air transportation, and tourism. It was followed by similar visits by other ministers and state agency heads. A bilateral working group was created to study the possibility of connecting the electrical systems of the two countries, and meetings were held in Montevideo in February 1981 to discuss implementing this project. (S-NP)

The favorable Uruguayan response to these initiatives has contributed to a strong improvement in relations during the past year and a half. Bilateral trade has increased steadily since the early 1970s, but it rose sharply in 1980 and Brazil acquired a heavy surplus. There also was a considerable growth in participation by Brazilian firms in important Uruguayan development and public works projects. While obviously receptive to such economic overtures, Uruguay has become increasingly concerned over the growing restrictions and bureaucratic delays obstructing its exports to Brazil. Consequently, it persistently has sought an understanding with Brazil—its principal customer since the mid-1970s—that would relax restrictions as well as provide incentives for increased marketing of Uruguayan products. These efforts intensified following announcement of the Brazilian-Argentine understanding on the same issue. Brazil responded positively, and negotiations to improve trade regulations have begun. (S-NP)

Ties With Other South American Countries

Since coming to office in March 1979, the Figueiredo administration has endeavored to improve its relations with the other South American countries. This has included exchanges of presidential visits with Venezuela, Colombia, and Peru; numerous exchanges of visits of Foreign Ministers and other government officials involving virtually all of the continent; and expansion of Brazilian contacts with other South American states through multilateral forums such as the Andean and Amazon Basin Pacts and the Latin American Integration Association (ALADI). This diplomatic effort is without precedent in Brazilian experience.

~~(S-NF)~~

Brazil's purposes include a determination to put its Latin American policy in the best possible framework, to search systematically for expanded markets for its exports, technology transfers, and services, to stimulate joint ventures, and to develop alternative and expanded energy sources. Thus, Brazil's trade and other contacts with the Andean Pact countries, which had undergone steady expansion in 1976-79, were boosted in 1980 by Brazil's establishment of formal consultative arrangements with the Pact's directorate. Moreover, Foreign Ministers of the signatory countries of the Amazon Pact met in October 1980 and set in motion more intensive efforts to promote regional economic development, thereby enhancing Brazil's initiatives toward expanded trade and other economic ties with these countries. ~~(S-NF)~~

Each of Figueiredo's trips to other South American capitals received the same special attention accorded his visits to the Southern Cone countries. Each included much favorable publicity, extensive protocolary activities, numerous meetings among government officials, working sessions of business representatives, and the signing of numerous special agreements. Brazilian officials are confident that they have succeeded through this series of broad-gauged, essentially bilateral relationships in laying the groundwork for continued improvement of their country's trade relations and other ties with South America over the long term. ~~(S-NF)~~

Prospects and Implications for the United States

Prospects for Brazil's Relations With the Southern Cone

The Figueiredo administration's "diplomatic offensive" constitutes a major intensification of Brazilian policy toward the region, which in a relatively short period has produced considerable results. Close and mutually beneficial relationships in numerous areas have been developed—essentially at Brasilia's initiative—with Southern Cone neighbors, generating a momentum that is likely to continue for several years. Moreover, while Brazil clearly is the continent's pre-eminent power, its push for closer ties with its neighbors—focusing primarily on economic matters—arises from the recognition that such ties are increasingly important to Brazil in light of its drive toward major power status. ~~(S-NF)~~

Brazil has sought consistently—and, by most indications, with increasing success—to alter its image as the non-Hispanic outsider pursuing its own objectives without regard to the interests of its neighbors. The intensified effort began with former rival Argentina and has continued through persistent and efficiently formulated overtures primarily to the rest of the Southern Cone and then to the rest of South America. Brasilia has worked hard to convince its neighbors that it desires only cooperative relations based on the advancement of mutual interests. A fundamental objective is to avoid resurrecting fears regarding Brazil's hegemonic aspirations, which complicated relations in earlier years. Thus, when other South American leaders intimate—as Colombian President Turbay Ayala did during Figueiredo's visit to Bogota in March 1981—that they look upon Brazil as the natural leader of the continent and welcome its growing power as helpful to Latin American development, Brazilian officials invariably reject such suggestions. ~~(S-NF)~~

Brazil understands that the furtherance of its basic objective—major expansion of economic and energy relationships—would be hampered seriously by a re-crudescence of fears of Brazilian domination. On

balance, however, most of its neighbors seem prepared to look increasingly on Brazil as a continental leader and strong economic partner. There remains a persistent, if diminished, undercurrent of suspicion, which Brazil realistically can expect to overcome only over the long run and with much effort. ~~(S-NF)~~

In this regard, the most dramatic achievement has been the turnaround in relations with Argentina, which is much more comfortable about its ties to Brazil than in the past. The Argentine Government, including both civilian and military components, recognizes that Argentina has been outstripped by Brazil in economic, and probably in political, terms. The Argentines retain a measure of satisfaction over their continuing nuclear superiority. Despite jingoist posturing in ultranationalist circles, most Argentines feel a strong sense of relief and growing confidence in the evolving relationship with Brazil. ~~(S-NF)~~

With Argentina's mounting economic troubles raising doubts about the Viola regime's effectiveness, and even of its survival, as competition among military factions contributes to a general sense of instability and the territorial dispute with Chile persists, the new relationship with Brasilia will be increasingly important for the Argentines. Brazil, in turn, views the much improved relationship as important not only because Argentina is an economic partner of growing significance, but because Brasilia's rapprochement with Buenos Aires has direct implications for policies toward the rest of the Southern Cone. Therefore, both governments appear motivated to strengthen ties over the medium and long term, while remaining aware that the process will be long and often difficult. ~~(S-NF)~~

In general the significance of the numerous agreements with neighboring countries lies not so much in their substantive content but in the fact that they represent an unprecedented commitment to intensive bilateral cooperation. Several of the agreements, nevertheless, are significant, such as those looking to sales of Argentine and Bolivian natural gas and the nuclear cooperation accords with Buenos Aires. The majority—which deal with economic and energy-related matters—are designed essentially to facilitate the rapidly expanding trade and other economic ties.

Several that call for feasibility studies of cooperative projects in various fields will be quite costly and require considerable time. ~~(S-NF)~~

Brasilia recently has been increasingly responsive to calls from other governments, particularly those in the Southern Cone, for relaxation of its import restrictions. This responsiveness stems from a recognition that should these countries continue to face trade deficits, Brazilian exports to South American markets will suffer. Moreover, Brazil has participated actively in negotiations with ALADI member states to promote mutual tariff reductions. Although reluctant to make unilateral concessions, Brazil is increasingly disposed to promote liberalization and to favor economic integration. ~~(S-NF)~~

Its chief objectives are to advance commercial links and acquire easier access to alternative energy supplies, but its support of economic integration can no longer be characterized merely as lip service. Even so, while an extensive cooperative framework has been negotiated—and will be expanded in the future—and significant progress toward implementation already has been achieved, the process is still in its initial stages and will require much additional effort. ~~(S-NF)~~

A lingering question regarding Brazil's motivation is whether it seeks formation of a bloc of ideologically like-minded states to adopt unified positions vis-a-vis outside powers, including the United States. A corollary question is whether Brasilia seeks to promote regional security arrangements—particularly in cooperation with Argentina—in regard to the South Atlantic. ~~(S-NF)~~

The Figueiredo administration's actions demonstrate that it is not interested in a Southern Cone alliance. Brazil is strongly opposed to any such alignment and is convinced that any action on its part to this end would undermine its efforts to improve relations in the region. Expanding Brazilian arms sales, technical assistance, and intensified exchanges with the military in neighboring states are intended to foster closer cooperation with these armed forces, but primarily

they are designed to improve relations across the board. Brazil likewise is not interested in the formation of a multilateral security arrangement, or even a bilateral one with Argentina in the near future, in regard to the South Atlantic, and the Figueiredo government has become increasingly specific and forceful on this point. (S-NF)

As it has gained confidence in its pragmatic foreign policy in recent years, Brazil has deliberately avoided assuming a more active political stance on the world scene, concerned primarily that this would entail commitments and entanglements that could inhibit the pursuit of its economic interests. In its efforts to intensify relations with its Southern Cone and other South American neighbors, Brazil has been even more determined to avoid a politically active role. To its interest in avoiding constraints on its economic policies is added the recognition that such a course would heighten its neighbors' fears of the South American "colossus." Given the priority of export promotion and other policies aimed at promoting closer economic ties with these countries—looking toward eventual economic integration of at least the Southern Cone—Brazil probably will steadfastly avoid actions that have an essentially political thrust in its relations with these countries, at least through the 1980s. (S-NF)

Thus, in contrast to Argentina it has adopted a very low profile toward political developments in Bolivia during the past few years and would probably follow a similar course with regard to political upheavals elsewhere on the continent. Should an avowedly Marxist regime come to power in a Southern Cone state and should Brazilian trade and other economic interests be threatened, Brasilia is likely to collaborate with like-minded governments in the region to contain any perceived threat to its own national security and protect, to the extent possible, its basic economic ties with such a country. Should the United States urge such policies, however, Brazil would not be disposed to collaborate; if the United States pressed for "direct action," Brazil would be openly opposed. (S-NF)

Implications for the United States

The Brazilian push toward closer relations with Southern Cone countries carries several implications for Washington:

- Progress toward settlement of bilateral problems between traditional rivals Brazil and Argentina removes a potential element of tension in the region.
- The example set by Brazil's generally successful development program and political liberalization (looking perhaps to eventual civilian resumption of leadership) should have a positive influence on Southern Cone neighbors, all of which are under military or dictatorial government.
- The Brazilian initiatives represent a first step toward eventual economic integration which should have favorable results for the region's economy; ultimately, a possible attendant result beneficial to the United States might be a lessening of Brazil's highly protectionist trading practices, but at the urging of its neighbors rather than Washington.
- To the extent that economic, energy, technology transfer, and related aspects of Brazil's push for improved relations with neighbors bear fruit, the Figueiredo administration's efforts to manage Brazil's serious economic problems will be enhanced.
- Brazil's improved ties with Argentina could foster greater cooperation regarding South Atlantic security arrangements, but no formal understanding, particularly one involving the United States, is in the offing. (S-NF)

Although the positive effects are likely to prevail, there are negative implications for the United States flowing from closer Brazilian ties with Southern Cone states:

- Sustained progress in Argentine-Brazilian nuclear cooperation would have an adverse effect on US nonproliferation objectives should either (or both in competition) move deliberately toward nuclear explosive/weapons capacity, a contingency that appears unlikely at least in the next five years.

- Brazil would resent and resist US efforts to influence its relations with the Southern Cone, particularly if it perceives US demarches as hindering progress in any of the areas Brazilians are pursuing or, alternatively, if it concludes that the United States looks to Brazil to "lead" South America.
- The US trade position with Brazil and with one or more Southern Cone countries may be adversely affected in some areas should integration develop at a rapid pace. (S-NR)

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